

Message Text

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PAGE 01 BANGUI 00154 281325Z

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C O N F I D E N T I A L BANGUI 0154

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E.O. 11652: GDS

TAGS: EINV, EMIN, CT

SUBJECT: SCED/GOCAR DISPUTE

REF: BANGUI 0113

1. SUMMARY. AS FORESEEN REFTEL CAR PRESIDENT BOKASSA CONVOKED DDI/SCED PRESIDENT ALBERT E. JOLIS ON JANUARY 23 TO SPECIAL COUNCIL OF MINISTERS MEETING. UNEXPECTEDLY REPRESENTATIVES OF ALL DIAMOND PURCHASING OFFICES IN BANGUI WERE ALSO PRESENT.

2. ACCORDING TO JOLIS HE RECEIVED THOROUGH TONGUE-LASHING FROM BOKASSA FOR APPROACHING DEPARTMENT CONCERNING CAR DECREE 75/528 OF DECEMBER 18, 1975, WITHDRAWING FAVORABLE REGIME "C" TAX AND CUSTOMS PRIVILEGES. JOLIS DESCRIBED SESSION AS "STORMY AND VIOLENT" AND SAID HE WAS NOT ALLOWED TO RESPOND TO PRESIDENT'S REPROACHES. OUTCOME WAS THAT DECREE STILL STANDS IN THE WAKE OF WHICH FUTURE OF SCED ACTIVITIES IN CAR MUCH IN DOUBT. BEFORE DEPARTURE FOR NEW YORK JANUARY 26 JOLIS LEFT DETAILED EIGHT-PAGE LETTER TO PRESIDENT RESPONDING TO LATTER'S ACCUSATIONS. AT SAME TIME HE SET INTO MOTION MACHINERY FOR GRADUAL, QUIET DISMANTLING SCED OPERATIONS HERE. END SUMMARY.

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PAGE 02 BANGUI 00154 281325Z

2. PRINCIPAL THRUST OF BOKASSA'S CRITICISM OF

JOLIS AND SCED WAS THAT HIS SEEKING DEPARTMENT'S ASSISTANCE AND HAVING CAR CHARGE AT WASHINGTON CONVOKED CONSTITUTED AFFRONT TO CAR SOVEREIGNTY. DEPLORING WORSENING SITUATION AND PROSPECTS OF CENTRAL AFRICAN DIAMOND, BOKASSA ACCUSED SCED OF REMITTING ONLY "LAUGHABLE" SUMS TO CENTRAL AFRICAN STATE'S REVENUE. BOKASSA SAID ALTHOUGH SCED ACCOUNTED FOR LARGEST PORTION OF ARTISANAL DIAMOND PRODUCTION AND IT PAID THE SMALLEST AMOUNT OF EXPORT TAX.

3. IN CAREFULLY DOCUMENTED UNEMBELLISHED LETTER DELIVERED TO PRESIDENCY JANUARY 26, JOLIS REBUTS PRESIDENT BOKASSA'S ARGUMENTS FOR WITHDRAWING REGIME C BENEFITS. JOLIS SAID HE WENT TO DEPARTMENT AS LAST RESORT SINCE HE FELT COMPLETELY CUT OFF FROM GOCAR AFTER WAITING IN VAIN FOR TWO WEEKS IN CAR IN NOVEMBER TO SEE PRESIDENT. HIS CAR REPRESENTATIVE OELBAUM AT HIS INSTRUCTITN HAD ALSO TRIED BUT FAILED TO SEE RESPONSIBLE CAR OFFICIAL ON DECRESS 75/528. JOLIS ASSURED BOKASSA HE HAD NOT WISHED CREATE DIPLOMATIC INCIDENT AND REMAINED HOPEFUL THAT SINCERE DIALOGUE THAT HAD CUSTOMARILY CHARACTERIZED THEIR RELATIONS MIGHT BE RE-ESTABLISHED.

4. JOLIS DREW DISTINCTION BETWEEN MINING COMPANY SUCH AS SCED WHICH MAKES IMPORTANT INVESTMENTS, CREATES JOBS AND CONTRIBUTES DIRECTLY TO LOCAL ECONOMY AND DIAMOND PURCHASING OFFICES (LEBANESE, ISRAELI, ROMANIAN) WHICH ONLY PLOW INTO CAR ECONOMY EXPORT TAXES FROM THEIR PURCHASES. THUS IMPOSSIBLE MAKE SIMPLE EXPORT TAX COMPARISON BETWEEN SCED AND PURCHASING OFFICES. JOLIS WENT ON TO SHOW THAT IN TWO YEARS SINCE ITS FOUNDING SCED WITH DDI AND THE CUTTING FACTORY HAD REMITTED MORE THAN 2 MILLION DOLLARS TO CAR, PAID HALF MILLION IN WAGES, AND INVESTED NEARLY 4 MILLION DOLLARS INCLUDING CREATION OF INFRASTRUCTURE INVOLVING 389 KILOMETERS OF ROADS AND 28 BRIDGES.

5. OPPORTUNITY AROSE TO DISCUSS SCED ISSUE WITH MINISTERS PATASSE AND TEHEOUTI DURING FAREWELL STATE BANQUET FOR US GEOLOGICAL SURVEY MAGNETIC ANOMALY TEAM EVENING OF JANUARY 26. ONLY POINT EITHER EMPHASIZED WAS PRESIDENT'S BRISTLING OBJECTION TO JOLIS' INVOLVING DEPARTMENT OF STATE IN
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PAGE 03 BANGUI 00154 281325Z

MATTER RATHER THAN TAKING IT UP DIRECTLY WITH HIM. THIS SEEMS TO BE OFFICIAL LINE AND ALL ARE HEWING IT CLOSELY.

6. SCED'S CURRENT DIFFICULTIES WITH GOCAR APPEAR TO US ALSO TO BE POSSIBLY CONNECTED WITH PERSISTENT CAR FINANCIAL TROUBLES. COINCIDENTAL WITH ANNUAL NATIONALBUDGET EXERCISE IS FRANTIC SEARCH FOR NEW SOURCES OF INCOME.

6. JOLIS WHO DEPARTED BANGUI JANUARY 26 CALLED CHARGE FROM PARIS AFTERNOON JANUARY 27 TO REPORT THAT HIS

COMINCO COLLEAGUES THERE VERY CONCERNED AND PREPARED TO SEND BOKASSA STRONG PERSONAL MESSAGE OR HAVE OTTAWA MAKE PROTEST. THEY PARTICULARLY ASTONISHED THAT JOLIS NOT ALLOWED RESPOND TO PRESIDENT'S ACCUSATIONS. HOWEVER, ACCORDING JOLIS, COMINCO KEEN TO PURSUE ITS OPERATIONS IN CAR IF SETTLEMENT CAN BE REACHED IN TERMS OF 1973 SCED/GOCAR AGREEMENT. ASKED FOR HIS OPINION CHARGE SURMISED THAT CANADIAN PROTEST LIKELY RESULT IN UNDESIRE ESCALATION OF BOKASSA/SCED CONFLICT AND HE, JOLIS LIKELY TO BE SEEN AS INSTIGATOR OF CANADIAN PROTEST. CHARGE ALSO SAID AT PRESENT CONSENSUS OF OPINION APPEARS TO BE EMERGING LOCALLY THAT PURPOSE OF EXERCISE MAY NOT BE TO OUSTER SCED ENTIRELY FROM CAR DIAMOND MARKET BUT TO HELP TO BUOY UP CAR'S SAGGING BUDGET. DDI/SCED OFFICIALS BELIEVE AT LEAST PARTIAL ACID TEST OF SERIOUSNESS OF GOCAR INTENT TO ENFORCE SCED DECREE WILL COME JANUARY 29 WHEN SCED DIAMONDS REACH BANGUI FROM FIELDS FOR SHIPMENT. QUESTION IS WHETHER OR NOT CAR AUTHORITIES WILL BLOCK THEIR EXPORTATION.

7. JOLIS RETURNING NEW YORK JANUARY 28 AND EXPECTED BE IN TOUCH WITH AF/C DIRECTOR BUCHANAN. OUR ESTIMATE OF SITUATION AND OF BOKASSA'S MOOD DICTATE AGAINST FURTHER DEMARCHE AT THIS MOMENT. WE BELIEVE THAT IF DEPARTMENT ASKED BOTH JOLIS AND OUR CANADIAN COLLEAGUES SHOULD BE SO COUNSELLED. INCIDENTALLY, IT WOULD BE USEFUL IN AVOIDING UNNECESSARY CONFRONTATIONS IF IN FUTURE WE MIGHT BE INFORMED IN ADVANCE WHEN DEPARTMENT INTENDS CALLING IN CAR AMBASSADOR OR CHARGE. SWING

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